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8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN JOSE DIVISION
11

12 VICTORIA RYAN,

13 Plaintiff,

14 v.

15 EDITIONS LIMITED WEST, INC. ET
16 AL,

17 Defendants.

Case No.: C- 06-4812 PVT

**ORDER GRANTING MOTION FOR
PARTIAL SUMMARY JUDGMENT
AND REQUIRING SETTLEMENT
CONFERENCE**

18 **I. INTRODUCTION AND PROCEDURAL POSTURE**

19 Plaintiff Victoria Ryan (“Ryan”) is an artist working in pastel on paper.¹ Defendant
20 Editions Limited West (“Editions”) is her publisher and authorized to publish certain of Ryan’s
21 works as posters. Defendant ArtSelect, Inc. “ArtSelect” is a retailer of artwork. Ryan claims
22 that Editions authorized and encouraged retailers to sell reproductions not provided for in their
23 contract. The case involves reproductions in the form of canvas transfers, a process by which
24 the ink is lifted off a paper poster and applied to a canvas; wall murals, large prints that can be
25 applied to a wall or ceiling; and giclees or canvas prints, ink applied directly to canvas.

26 There are four claims in the Complaint: 1) Copyright infringement against Editions and
27

28 ¹ The holding of this court is limited to the facts and the particular circumstances
underlying the present motion.

1 ArtSelect and Contributory Infringement against Editions; 2) Unfair Competition against
2 ArtSelect for making unauthorized canvas transfers and against Editions, by encouraging
3 ArtSelect to engage in copyright infringement; 3) Breach of contract against Editions, by failing
4 to identify purchasers of the posters and engaging “in a pattern of deceptive and unfair practices
5 in connection with Plaintiff’s copyrights.” (Comp. p. 11 l. 11-16); and 4) Slander of Title
6 against Editions, by falsely representing that it has authority to produce canvas transfers,
7 wallpaper murals, or other derivative works.

8 Editions counterclaimed that Ryan defamed it by telling other artists that Editions is
9 cheating her. Ryan filed an Anti-Slapp motion to dismiss the counterclaim. In December of
10 2006, this Court denied the motion, finding that Editions was entitled to take discovery to
11 support the claim. Ryan appealed and has blocked Editions’ attempts to dismiss the
12 counterclaim. Also in December of 2006, the Court issued a Case Management Conference
13 Order setting the deadline for completion of fact discovery on May 18, 2007.

14 On May 18, 2007, the day of the discovery cut-off, Plaintiff filed a motion to set a case
15 management conference and a motion to amend the CMC Order. The Court initially denied the
16 request to extend the discovery cut-off. In July, the Court granted Ryan’s renewed request for
17 additional time to take discovery.² The Court extended discovery to August 3, 2007 and
18 extended the pretrial conference and trial dates. In September, Defendants sought, and were
19 granted, leave to file the instant motion for partial summary judgment.

20 The Motion was noticed for hearing on October 30, 2007, making the Opposition due
21 October 9, 2007 and the Reply due on October 16, 2007. Counsel for Ryan, Mr. DeLiberty
22 (“DeLiberty”), filed his opposition at 10:23 pm on October 10, 2007. DeLiberty has not

23
24 ² The pretrial schedule may be modified “if it cannot reasonably be met despite the
25 diligence of the party seeking the extension.” *Zivkovic v. Southern California Edison Co.*, 302
26 F.3d 1080, 1087 (9th Cir. 2002) (citation omitted.) Ryan did not propound any discovery until
27 she sent out a single request for production of documents a mere three months prior to the close
28 of discovery. Ryan then waited until the day before the close of discovery to send her first meet
and confer letter. Ryan’s counsel, Mr. DeLiberty, asserted that his other cases precluded him
from propounding the discovery he needed in this case. Counsel’s busy schedule does not
excuse a lack of diligence. *Blue v. Grannis*, 2007 WL 125408 at * 1 (E.D.Cal. Jan 18, 2007).
Despite the lack of showing of diligence, the Court granted the request in order to give Ryan
every chance to find evidence to support her claims.

1 provided any explanation for his failure to timely file the Opposition. Defendants asked the
2 Court not to consider the Opposition. Despite DeLiberty's lack of explanation for his failure to
3 timely file the Opposition, the Court has considered the brief. On November 30, 2007, the Court
4 issued a Tentative Order Granting the Motion for Partial Summary Judgment and requiring
5 further briefing on the issue of whether attorneys' fees could be the sole damages supporting a
6 claim for Slander of Title. After considering all of the briefs, and for the following reasons, the
7 Court Grants the Motion for Partial Summary Judgment.

8 **II. LEGAL STANDARDS**

9 Summary judgment is proper "if the pleadings, depositions, answers to interrogatories,
10 and admissions on file, together with the affidavits, if any, show that there is no genuine issue as
11 to any material fact and that the moving party is entitled to a judgment as a matter of law."
12 Fed.R.Civ. P. 56(c) The moving party bears the initial burden of demonstrating the absence of a
13 genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317 (1986). However, the
14 moving party has no burden to negate or disprove matters on which the non-moving party will
15 have the burden of proof at trial. The moving party need only point out to the court that there is
16 an absence of evidence to support the non-moving party's case. *Id.* at 325. The burden then
17 shifts to the non-moving party to "designate 'specific facts showing that there is a genuine issue
18 for trial.'" *Id.* at 324 (quoting Rule 56(e)).

19 To carry this burden, the non-moving party must "do more than simply show that there is
20 some metaphysical doubt as to the material facts." *Matsushita Elec. Indus. Co., Ltd. v. Zenith*
21 *Radio Corp.*, 475 U.S. 574, 586 (1986). "The mere existence of a scintilla of evidence . . . will
22 be insufficient; there must be evidence on which the jury could reasonably find for the [non-
23 moving party]." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986). Evidence that "is
24 merely colorable, or is not significantly probative," is not sufficient to avoid summary judgment.
25 *Id.* at 249-250. Similarly, the non-moving party "may not merely state that it will discredit the
26 moving party's evidence at trial and proceed in the hope that something can be developed at trial
27 in the way of evidence to support its claim." *T.W. Elec. Service, Inc. v. Pacific Elec.*
28 *Contractors Ass'n*, 809 F.2d 626, 630 (9th Cir. 1987).

1 Summary judgment cannot be granted where a genuine dispute exists as to any material
2 fact. Fed. R. Civ. P. 56(c). A “material” fact is one which might affect the outcome of the
3 case under the applicable law. *Anderson*, 477 U.S. at 248. A dispute about a material fact is
4 genuine if a reasonable jury could return a verdict for the non-moving party. *Id.* In deciding a
5 motion for summary judgment, a court must view the evidence in the light most favorable to the
6 non-moving party, and draw all justifiable inferences in its favor. *Id.* at 255. “Credibility
7 determinations, the weighing of the evidence, and the drawing of legitimate inferences from the
8 facts are jury functions, not those of a judge [when] he is ruling on a motion for summary
9 judgment.” *Id.*; *see also Harris v. Itzhaki*, 183 F.3d 1051 (9th Cir. 1999).

10 **III. FACTS**

11 In 1995 Ryan and Editions entered into a written contact in which Ryan granted Editions
12 the exclusive right to publish certain of Ryan’s paintings as posters. (Jakola Decl. Exh. 1.) The
13 contract only refers to posters and is silent as to canvas transfers, giclees, and wall murals. Ryan
14 has never authorized anyone to do canvas transfers, canvas prints (giclees) or wall murals.
15 (Ryan Decl. 2.) The contract provides for attorney’s fees for the prevailing party in any suit
16 “with regard” to the contract. (*Id.* at ¶12).

17 In 2000, Joanne Chappell and Christy Carlton of Editions approached Ryan about
18 marketing giclees of her works. (Ryan Decl. ¶3). Ryan declined, in part because, at the time,
19 she had her own business selling giclees. (*Id.*) Ryan asserts that Editions was on notice since
20 2000 that it was not allowed to license her artwork for giclees “or any other purpose.” (*Id.*)
21 There is no evidence, however, that Ryan ever mentioned canvas transfer or wall murals.

22 In 2004, Ryan noticed “at least one” internet retailer, Lemaze Studio, offering canvas
23 transfers of her posters. (Ryan Decl. ¶4.) She complained to Todd Haile of Editions and he
24 replied that he was concerned and would check it out. (*Id.*) Ryan asserts that she “objected to
25 the practice and believed it was improper.” (Opp. at 2:23.) As proof, Ryan cites an email she
26 sent to Haile on November 9, 2004. That email, however, does not entirely support her
27 argument. It states:

28 I have been learning more about ‘canvas transfers’ and *wonder what you think*

1 about the ethics of utilizing this method to market posters. I wonder if there is a
2 legal or copyright issue here. I know of several companies that use this
3 technology on my posters and others and it just doesn't sit too well to think that a
new product is being made and no compensation is rendered to the artist. *I'm
curious to know your opinion on this issue.*

4 (Haile Depo. Exh. 7)(emphasis added).

5 Thus, the email merely solicits an opinion as to the ethics and legality of canvas transfers.
6 Nonetheless, as the party opposing summary judgment, Ryan is entitled to all reasonable
7 inferences, and it is reasonable to infer that Editions knew or should have known that there was
8 an issue regarding Ryan's consent to canvas transfers.

9 Ryan then contacted Editions. Editions stated that it did not authorize any canvas
10 transfers, but it could not prevent all purchasers from making canvas transfers. Editions offered
11 to contact any business that Ryan found making canvas transfers and write to them telling them
12 to stop. (Ryan Decl. ¶ 8.) Ryan declined to tell Editions the names of any businesses because it
13 "would be a huge endeavor." (*Id.*) Editions maintained a policy in its catalog prohibiting the
14 posters it sells to be used for canvas transfers. (Haile Depo Tr. at 118).

15 In May of 2005, Editions provided ArtSelect with a list of Editions artists whose works
16 were approved for canvas transfers and Ryan's name was on the list. (Jakola Decl ¶ 3, Exh. 2.)
17 A canvas transfer is a remounting of a paper poster onto canvas, destroying the paper poster in
18 the process. (Haile Decl. ¶ 2.) In April of 2005, Editions provided ArtSelect with a list of
19 works that ArtSelect could print as giclees. (Jakola Decl. ¶4, Exh.3.) A giclee is created by
20 applying ink directly to canvas. (Haile Decl. ¶ 2.) The list included four of Ryan's artworks. In
21 June of 2005, Editions entered into a license agreement with Environmental Graphics, allowing
22 Environmental Graphics to print art images as wall murals. The list of art images included six
23 Ryan works. (Jakola Decl. ¶ 5, Exh. 4.)

24 On June 9, 2005, Ryan called Editions, stating her disapproval of any of her artwork
25 being approved for any canvas treatments. (Jakola Decl. ¶ 6). That same day, Editions sent
26 Artselect an email deleting Ryan from the list of artists approved for canvas treatment and
27 Artselect responded that it had removed Ryan from their canvas lines. (*Id.*, Exh. 5, Reeder Decl.
28 ¶ 5.) Prior to being notified that Ryan's works were not approved for canvas transfers, Artselect

1 sold one canvas transfer of a poster of an artwork entitled “Primavera I.” The work was sold on
2 May 27, 2005 for \$98.96, but returned for a full refund. (Reeder Decl. ¶ 6; Exh. 6.) On July
3 26, 2005, the canvas transfer was resold through the ArtSelect outlet for \$51.69. ArtSelect’s
4 costs totalled \$49.97, resulting in a profit of \$1.72. (Exh. 6.) Artselect did not sell any giclees
5 of Ryan works. (Reeder Decl. ¶ 5.) Editions has never sold any canvas transfers; it sells only
6 paper posters. (Jakola Decl. ¶ 7.)

7 In “late” 2005, Ryan discovered that Environmental Graphics was offering wallpaper
8 murals of her posters for sale. (Ryan Decl. ¶ 9.) Ryan argues: “By this time, hundreds of
9 Internet sites were offering unauthorized canvas transfers of Ms. Ryan’s posters for sale. Wal-
10 Mart and other brick-and-mortar retailers had also begun selling unauthorized canvas transfers of
11 her posters.” (Opp. at 3:10-12.) There is no citation of authority for this proposition. In fact,
12 the closest “evidence” is Ryan’s declaration, which states “I continued to see more and more
13 new companies offering canvas transfers of my work.” (Ryan Decl. ¶ 9.) Ryan offered no
14 evidence as to “hundreds” of internet sites and no evidence as to any product offered for sale by
15 Wal-Mart.

16 On December 13, 2005, counsel for Ryan sent Editions a letter demanding that Editions:
17 1) cease and desist from allowing derivative works; 2) produce documents
18 relating to sales of Ryan works and 3) produce documents relating to permission for derivative
19 works of any Editions’ Artist. (Jakola Decl. Exh. 8.)³ No later than receipt of the letter, Editions
20 informed Environmental Graphics that Ryan’s works were not approved for wall murals.
21 Environmental Graphics never sold any wall murals of Ryan works. (Jakola Decl. ¶ 7.)

22 On December 19, 2005, Editions responded to the cease and desist letter. (DeLiberty
23 Decl. Exh. B.) Editions stated that it “does not manufacture, sell or condone the manufacture
24 and sale of canvas transfers.” (*Id.* at 1.) Editions also stated that it “denies that it in any way
25 induces, causes or materially contributes to” any canvas transfers. (*Id.* at 2.) Editions stated
26 that it had no duty to investigate what uses purchasers made of posters, but that it “will certainly

27 ³Although dated December 13, 2005, the letter demanded the documents be produced no later
28 than December 12, 2005.

1 put any purchaser on notice of Ms. Ryan's concern if and when it determines that canvas
2 transfers are, in fact, being manufactured." (*Id.*)

3 In January of 2006, Ryan sent cease and desist letters to "a number of retailers" (Opp. at
4 3). Ryan provides only one such notice, to ArtSelect (DeLiberty Decl. Exh. D.) ArtSelect
5 responded that it had never sold any canvas transfers. (*Id.*, Exh. E.) Ryan argues that ArtSelect
6 claimed it had permission from Editions to sell canvas transfers, but refused to produce any
7 evidence. The letter, however, merely states that ArtSelect never sold any canvas transfers.

8 **IV. DISCUSSION**

9 **A. No Genuine Dispute as to Amount of Copyright Damages Available**

10 Ryan has sued Defendant ArtSelect for Copyright Infringement and Defendant Editions
11 for Contributory Infringement. In order to show contributory infringement, Ryan must show
12 Editions "(1) has knowledge of a third party's infringing activity, and (2) induces, causes, or
13 materially contributes to the infringing conduct." *Perfect 10, Inc. v. Visa Intern. Service Ass'n*,
14 494 F.3d 788, 795 (9th Cir. 2007), *quoting Ellison v. Robertson*, 357 F.3d 1072, 1076 (9th
15 Cir.2004). Thus, mere knowledge is insufficient to show contributory infringement because
16 Ryan must also show a "material contribution." *Ellison v. Robertson*, 357 F.3d 1072, 1076 (9th
17 Cir.2004) ("A defendant is vicariously liable for copyright infringement if he enjoys a direct
18 financial benefit from another's infringing activity and 'has the right and ability to supervise' the
19 infringing activity.) (citation omitted.)

20 Rule 56 provides that the court shall "make an order specifying the facts that appear
21 without substantial controversy, including the extent to which the amount of damages or other
22 relief is not in controversy." Fed. R. Civ. P. 56 (d). Defendants moved for a determination that
23 the amount of damages, if Ryan can prove copyright infringement, is \$1.72.

24 The Copyright Act, 17 U.S.C. § 504(a) provides for two types of damages: actual
25 damages and profits of the infringer under §504(a)(1) and statutory damages under §504(a)(2).
26 As described below, Defendants have shown that there is no genuine dispute that actual profits
27 were only \$1.72 and that statutory damages and attorney's fees are not available.

28 //

1 1. Actual Damages/Profits

2 Section 504 provides:

3 The copyright owner is entitled to recover the actual damages suffered by him or
4 her as a result of the infringement, and any profits of the infringer that are
5 attributable to the infringement and are not taken into account in computing the
6 actual damages. In establishing the infringer's profits, the copyright owner is
7 required to present proof only of the infringer's gross revenue, and the infringer is
8 required to prove his or her deductible expenses and the elements of profit
9 attributable to factors other than the copyrighted work.

10 17 U.S.C. § 504(b).

11 In the record, there is only evidence of a single instance of alleged infringement, the
12 canvas transfer sold by ArtSelect. At the hearing, Ryan argued that she did not agree that there
13 was only one instance and she was still investigating to find evidence of additional instances of
14 infringement. (October 30, 2007 Hearing Transcript (“Tr.”) at 15-16.) Ryan however, admitted
15 that she did not have any such evidence: “So the question is, okay, well, do we have specific –
16 Do I have specific Invoices, very specific invoices, specific – specific instances of sales that I
17 can document and trace back? Right now I don’t have it.” (Tr. at 18:12-15.) Instead, Ryan
18 asserted that she could put on circumstantial evidence that, because of Editions' permissive
19 policies towards infringement, there "must have been a lot" of infringing products produced.
20 When asked by the Court whether that would get him past summary judgment, he replied “No.
21 Well, I think it should get me past the summary judgment motion because there is no evidence
22 that I can’t prove that.” (Tr. at 19:18-21.) Ryan argued that IF she produces additional
23 evidence of damages at trial, it would be “unfair to reduce those damages based on Defendant’s
24 prior prediction.” (Opp. at 8.)

25 Ryan misunderstands the nature of summary judgment. Summary judgment cannot be
26 defeated by the hope of discovering evidence later. *T.W. Elec. Service, Inc. v. Pacific Elec.*
27 *Contractors Ass’n*, 809 F.2d 626, 630 (9th Cir. 1987). The limitation is not based on a prior
28 prediction, but rather on the evidence in the record at summary judgment. What Mr. DeLiberty
29 thinks he could put on at trial is not sufficient to defeat summary judgment. Similarly,
30 Defendants need not prove that DeLiberty cannot provide evidence at trial. Defendants meet
31 their burden by pointing out the absence of evidence necessary to support Plaintiffs’ case.

1 *Celotex Corp. v. Catrett*, 477 U.S. 317, 325 (1986).

2 Ryan also argued that she had evidence that Defendant ArtSelect had done an additional
3 canvas transfer. In her declaration, Ryan asserts:

4 I contacted the company and was told that they had permission from Editions
5 Limited to produce canvas transfers from certain images and in fact were
6 provided with a list of images and artists that they had permission to use and that
my pieces were on that list. She stated that ArtSelect had sold at least one of my
images as canvas transfers.

7 (Ryan Decl. ¶ 7.) Defendants object to this paragraph because it is hearsay. Hearsay is not
8 admissible in evidence and cannot be used to defeat summary judgment. Fed. R. Evid. 802;
9 Fed. R. Civ. P. 56(e); *Toensing v. Brown*, 374 F.Supp. 191, 205 (N.D.Cal. 1974), *aff'd* 528
10 F.2d 69 (9th Cir. 1975). The Federal Rules of Evidence define hearsay as “a statement, other
11 than one made by the declarant while testifying at the trial or hearing, offered in evidence to
12 prove the truth of the matter asserted.” Fed. R. Evid. 801(c). Ryan offers this statement of an
13 unnamed ArtSelect employee as evidence that ArtSelect sold a canvas transfer of Ryan’s work in
14 2004. Thus, this statement is hearsay; it is offered to prove the truth of the matter asserted, that
15 ArtSelect sold the canvas transfer. Ryan did not address why this hearsay statement should be
16 admitted.

17 A statement is not hearsay if it is an admission by a party opponent. Fed. R. Evid.
18 801(d)(2). The proffering party must lay a foundation to show that an otherwise excludible
19 statement relates to a matter within the scope of the agent's employment. *Breneman v. Kennecott*
20 *Corp.*, 799 F.2d 470, 473 (9th Cir.1986). As Defendants correctly assert, Ryan has not provided
21 any foundation as to the type of communication, the name of the person, the person’s job
22 responsibilities or whether the statement was within the job responsibilities. Accordingly, Ryan
23 has failed to show that this statement is not hearsay and the statement is, therefore, not
24 admissible.

25 Ryan also asserts that “[m]any other retailers have produced canvas transfers” of her
26 works.” (Opp. at 7.) Ryan, however, has not produced any evidence of any infringing sales.
27 Ryan asserts that Barbara Vollmer of Wine Country Images told her that she had been marketing
28 Ryan works as canvas transfers. (Ryan Decl. ¶ 6.) This statement, however, is hearsay and not

1 admissible. Ryan also asserts that Wine Country Images was offering canvas transfers of her
2 works at the end of 2004. (*Id.*) The offering of a canvas transfer is not evidence that a canvas
3 transfer was produced and sold.⁴

4 Ryan also asserts:

5 A number of potential customers have stated to me that they have purchased
6 canvas transfers of my posters from various sources. For example, recently, a
7 couple who collect art approached me at an art fair interested in buying some
8 prints. They said they purchased a canvas print from a store in the area a few
years earlier for about \$400. They were interested in an original pastel that I was
offering for sale, but decided against buying it because they felt it was too much
like the canvas print they had purchased.

9 (Ryan Decl. ¶ 10.) Ryan's repetition of statements made out of court by various customers is
10 inadmissible hearsay. Accordingly, these statements cannot be considered by the Court.

11 Thus, the question is the damages or profits from that one sale. Editions made no profit
12 on the canvas transfer, only on the sale of the poster.⁵ (Jakola Decl. ¶ 8.) ArtSelect has
13 submitted sufficient evidence to show that the costs were \$49.97 and the sale price was \$51.69
14 and its profits were \$1.72. (Reeder Decl. ¶ 7). Ryan has produced no evidence to dispute these
15 numbers. At the hearing, DeLiberty argued that he did not have to accept Defendants' figures.
16 (Tr. at 26.) A Plaintiff need not accept a Defendants' assertion. A Plaintiff may produce
17 evidence that creates a genuine dispute as to the amount of profits. Ryan, however, has not
18 produced any evidence that creates a genuine dispute as to the amount of profits. Accordingly,
19 the Court must accept that \$1.72 is the profit from the sale of the single canvas transfer.

20 2. Statutory Bar from Recovering Statutory Damages or Attorneys' Fees

21 Section 504(c) provides for damages "with respect to any one work, for which any one
22 infringer is liable individually, or for which any two or more infringers are liable jointly and
23 severally, in a sum of not less than \$750 or more than \$30,000 as the court considers just." 17

24
25 ⁴Ms. Vollmer was a defendant in this lawsuit. On November 15, 2006, Ryan voluntarily
26 dismissed Ms. Vollmer. If Ryan had evidence that Ms. Vollmer had sold canvas transfers, she
should have submitted that evidence in opposition to this motion.

27 ⁵Editions has paid Ryan the ten percent royalty on every Ryan poster it has sold, including the
28 poster consumed to make the canvas transfer. (Jakola Decl at ¶ 2.) Ryan has not produced any
evidence that Editions has not paid all royalties due on poster sales.

1 U.S.C. § 504(c). The court may, in its discretion increase the award to \$150,000 for willful
2 infringement or decrease the award to \$200 if it finds the defendant has proven he was not
3 aware, and had no reason to believe, that his acts constituted infringement. However, the statute
4 limits a Plaintiff's ability to recover either statutory damages or attorneys' fees:

5 no award of statutory damages or of attorney's fees, as provided by sections 504
6 and 505, shall be made for—

6 ...

7 (2) any infringement of copyright commenced after first publication of the
8 work and before the effective date of its registration, unless such
9 registration is made within three months after the first publication of the
10 work.

11 17 U.S.C. § 412(2).

12 In this case, the only evidence of an infringing sale is that of a work called "Primavera I"
13 sold by ArtSelect in May of 2005, and re-sold on July 26, 2005. (Reeder Decl. ¶ 6; Exh. 6.)
14 Primavera I was registered on October 28, 2005 and the registration states a first publication date
15 of January 1, 2005. (Woods Exh. 9.) Thus, any infringement occurred after first publication
16 and more than three months prior to registration.

17 Ryan asserts that she does not seek statutory fees or damages for any pre-registration
18 infringement. Ryan then argues: "If Plaintiff shows post-registration infringement, however, she
19 should have the option to recover statutory fees and damages." (Opp. at 8.) As discussed above,
20 the mere hope of finding additional evidence cannot defeat summary judgment. *TW elec. Serv.*
21 *Inc.*, 809 F.2d at 630. Accordingly, statutory damages and attorneys fees are not available.

22 **B. No Evidence of Contract Damages**

23 The elements of a cause of action for breach of contract are: "(1) The contract; (2)
24 Plaintiff's performance; (3) Defendant's breach; (4) Damage to plaintiff." *McDonald v. John P.*
25 *Scripps Newspaper*, 210 Cal.App.3d 100, 104 (1989), *quoting* Witkin, California Procedure,
26 Pleading, § 464 (3rd Ed. 1985). In order to state a claim for breach of contract based on a
27 defendant's conduct, a plaintiff must identify a term of the contract prohibiting that conduct.
28 *Anthony v. Yahoo Inc.*, 421 F.Supp.2d 1257, 1260-61 (N.D. Cal. 2006).

Ryan may also intend to assert a breach of the implied covenant of good faith and fair
dealing.

1 There is implied in every contract a covenant by each party not to do anything
2 which will deprive the other parties thereto of the benefits of the contract. This
3 covenant not only imposes upon each contracting party the duty to refrain from
4 doing anything which would render performance of the contract impossible by
 any act of his own, but also the duty to do everything that the contract
 presupposes that he will do to accomplish its purpose.

5 *Floystrup v. City of Berkeley Rent Stabilization Bd.*, 219 Cal.App.3d 1309, 1318 (1990) (citation
6 omitted), *quoting Harm v. Frasher* 181 Cal.App.2d 405, 417 (1960). In order to prove a breach
7 of the implied covenant, Ryan will have to show that Editions deprived her of the benefit of the
8 contract; i.e. to be paid royalties on poster sales.

9 “Causation of damages in contract cases . . . requires that the damages be proximately
10 caused by the defendant's breach, and that their causal occurrence be at least reasonably certain.”
11 *Vu v. California Commerce Club, Inc.*, 58 Cal.App.4th 229, 233 (1997), *citing* Cal Civ.Code, §§
12 3300, 3301. There is a “fundamental rule that damages which are speculative, remote,
13 imaginary, contingent, or merely possible cannot serve as a legal basis for recovery.” *Goehring*
14 *v. Chapman University*, 121 Cal.App.4th 353, 367 (2004) *quoting Frustuck v. City of Fairfax*
15 212 Cal.App.2d 345, 367-368 (1963).

16 Defendants move for summary judgment, asserting that Ryan has put forth no evidence
17 of contract damages. Defendants’ motion is narrowly targeted. Defendants accept, for the
18 purpose of this motion only, the premise that they did all of the acts alleged by Ryan and that
19 such acts constitute a breach of contract.⁶ Defendants did not, however, assume that any
20 damages asserted by Ryan were proximately caused by them. Thus, the question before the
21 court is whether Ryan has produced sufficient admissible evidence of damages from breach of
22 contract proximately caused by Editions to raise a genuine dispute.

23 1. Plaintiff’s Declaration

24 a. General Decrease in Business

25 Ryan declares:

26 ⁶The court expresses no opinion as to either whether there is any evidence in the record that
27 the actions alleged occurred or whether such actions constitute a breach of the contract. The
28 Court does, however, note that the contract only mentions paper posters and there is no contract
term that relates to giclees, canvas transfers, or wall murals.

1 Beginning in about 2004, when I first began seeing canvas transfer of my posters
2 being widely offered for sale, my giclee business dropped off steeply. As a result,
3 I stopped selling giclees directly. I still sell giclees indirectly through an agent,
4 but at a significantly diminished rate.

5 (Ryan Decl. ¶ 11.) Ryan provides no specifics as to the meaning of “dropped off steeply.”
6 Ryan provides no information such as the number of giclees sold in 2003 and in 2004. In order
7 to show a genuine dispute, Ryan must submit sufficient evidence that a reasonable jury could
8 return a verdict finding that Ryan suffered damage caused by a breach of contract by Editions.
9 Ryan’s general and unsupported assertion that her giclee business “dropped off sharply” is not
10 sufficient for a jury to find that she had been damaged. In the absence of any evidence of any
11 sales of giclees or canvas transfers, Ryan’s unsupported assertion of a general decline is not
12 sufficient to create a genuine dispute.

13 Moreover, even if the court were to accept Ryan’s assertion of a decline in giclee
14 business as sufficient evidence to survive summary judgment, Ryan would still not prevail
15 because she has offered no evidence that any drop in business was caused by any breach of
16 contract by Editions. For the purposes of this motion only, the court accepts that Editions
17 breached the contract. Nonetheless, Ryan must still provide evidence that the breach
18 proximately caused the decline in the giclee business.

19 Ryan argues that she was damaged by Editions’ authorization to ArtSelect to produce
20 canvas transfer and giclees of her works. Ryan, however, has produced no evidence of any sales
21 of giclees and has only produced admissible evidence of only a single canvas transfer. While
22 Ryan is entitled to all reasonable inferences, it is not reasonable to assume that a single *canvas*
23 *transfer* caused damages in the form of a decrease in *giclee* sales. Accordingly, a single sale of a
24 canvas transfer does not create a genuine dispute as to the causation of a decline in Ryan’s giclee
25 sales.

26 Ryan also argues that “[o]ther retailers” have reported having specific authorization to
27 produce canvas transfers. The only evidence cited, however are paragraphs 6 and 7 of Ryan’s
28 declaration. The statement of Ms. Vollmer and the unnamed ArtSelect employee that the Court
29 has already found to be inadmissible hearsay. Similarly, Ryan argues that “[m]any other retails

1 have produced canvas transfers of Ms. Ryan's works." (Opp at 7.) Ryan cites again to
2 inadmissible paragraph 6 of her declaration, and to paragraph 10 of her declaration, the
3 statements of unnamed customers which the court has also found to be inadmissible hearsay.
4 Thus, Ryan has provided no admissible evidence of Editions authorizing additional canvas
5 transfers.

6 Ryan appears to argue that Editions' allegedly permissive policies toward canvas
7 transfers has caused her damage. Ryan argues that Todd Haile, Art Director for Editions,
8 testified that he believed that canvas transfers were "an exposure tool for the artists." (Opp at
9 6:28.) Ryan asks the court to take this statement as evidence that Editions' stated policy against
10 canvas transfers "was just for show." The assumption that an individual's belief about the value
11 of the canvas transfer process is the company's actual practice towards allowing such transfers is
12 unwarranted.

13 Ryan also makes a general argument that Editions "Don't ask Don't tell" and "wink and
14 nod" policies were a breach of contract that damaged her. Ryan, however, provides no evidence
15 of either the permissive policies or damage that would flow from them. Ryan argues that
16 "[t]here is evidence that, as a rule, retailers understand that canvas transfers require prior
17 authorization from the copyright owner and check with the publisher (even if not the actual
18 copyright holder) before producing canvas transfers." Ryan cites to the Haile deposition at 118-
19 119, but the deposition transcript does not support her argument. Haile said: "if it is a major
20 purchase that they are going to canvas transfer, they'll tell us and they'll ask permission."
21 (DeLiberty Decl. Exh. F, Haile Depo. Tr. at 118-119.) The next question and answer was:

22 Q: What about companies that are offering these things for sale on spec, do those
23 companies come to you first and ask for permission?

24 A: I don't think – I think they'll ask if they get an order. I think they'll ask if it's
important to them.

25 (Id. at 119:2-7). Thus, the deposition transcript does not support the argument that retailers
26 always, or even as a rule, check with publishers prior to making canvas transfers.

27 Even assuming that Haile had said retailers always ask, however, Ryan still cannot prove
28 any damages. Ryan next argues that the Court must assume, absent contrary evidence, that

1 retailers “complied with their legal obligations” and cites California Civil Code § 3548. (Opp. at
2 7) Section 3458 provides as a maxim of jurisprudence: “The law has been obeyed.” Thus,
3 Ryan argues, any infringing canvas transfers were the result of Editions’ permissive policies.
4 The flaw in this argument is obvious: there is no testimony about any legal obligation, only
5 testimony about what Haile thinks is the practice of retailers. Accordingly, there is no basis for
6 the court to assume that every retailer who offers canvas transfers has received permission from
7 Editions to make canvas transfers.⁷

8 b. Hearsay Statement of Unnamed Customer

9 As described above, the statements in Ryan’s declarations that purport to repeat
10 statements made by customers are inadmissible hearsay.⁸

11 2. Attorney’s Fees Cannot Substitute for Damages

12 Ryan asserts that the contract with Editions provides for attorney’s fees and, therefore,
13 her damages are her attorneys fees. The contract states: “In the event that litigation is instituted
14 with regard to this Agreement, the prevailing party shall be entitled to its costs of the suit,
15 including reasonable attorney’s fees.” (Contract, Jakola Decl. Exh. 1 at ¶ 12.) Ryan argues that
16 if she wins at trial, she will be entitled to attorney’s fees. Therefore, according to Ryan, the fees
17 can substitute for damages. This circular argument is not persuasive. In order to prevail on a
18 claim for breach of contract, Ryan must first prove all of the elements of a claim for breach of
19 contract, including damages. If Ryan has no evidence in the record of damages, summary
20 judgment is proper on the breach of contract claim. Ryan cannot use the attorney’s fees to which
21 she would be entitled if she prevails to show that she should prevail. *See Childers v. Edwards*,

22
23 ⁷This argument appears in Ryan’s Opposition brief under the heading “Plaintiff was damaged
24 by Editions Limited’s slander of title and breach of contract, including the covenant of good faith
25 and fair dealing.” Thus, the Court assumes that this argument is directed at damages for breach
26 of contract. However, Ryan then argues that she “should be permitted to establish this at trial
and recover the revenue earned as a result of Editions Limited’s contributory infringement.”
(Opp. at 7.) To the extent that this argument was directed at damages for infringement, the
Court reiterates that Ryan cannot defeat summary judgment on the amount of infringement
damages with hopes of finding additional evidence.

27 ⁸If Plaintiff had submitted a declaration from a customer stating that he or she did not buy an
28 original artwork because he or she had purchased a giclee or canvas transfer, that would be
evidence of damage. Plaintiff, however, has not submitted any such evidence.

1 48 Cal.App.4th 1544, 1549 (1996) (awarding defendants fees on negligent misrepresentation
2 claim arising out of contract where plaintiff failed to prove damages). The *Childers* court noted;
3 “Proving liability proves only an element of a cause of action, not the cause of action itself.”
4 (rejecting “the fallacy of concluding that a plaintiff who wins on liability but fails to prove
5 damages” is a prevailing party.) *Id.* at 1551.⁹

6 3. There is No Claim for Injunctive Relief for Breach of Contract

7 At the hearing, Ryan argued that she did not need to show damages because if she wins
8 an injunction, she will be entitled to attorney’s fees.¹⁰ As Defendants pointed out in response,
9 Ryan did not seek injunctive relief for her breach of contract claim. The Complaint does seek an
10 injunction, but it only seeks to enjoin Defendants from 1) infringing Plaintiff’s copyrights; 2)
11 producing, selling or marketing wallpaper murals or canvas transfer; 3) selling or marketing
12 posters without informing the recipient of the posters that the posters are not authorized for
13 murals or transfers; and 4) selling or marketing the posters when there is reason to suspect the
14 recipient will use the posters for murals or transfers. (Complaint Prayer ¶ 1.) The Complaint
15 seeks damages for breach of contract, but not an injunction to prevent the breach of contract.
16 (Complaint Prayer ¶ 7.) Indeed, the complaint does not allege that the breach of contract will
17 continue unless enjoined and does not allege that such breaches would cause irreparable harm.
18 (Complaint ¶¶ 77-83.)

19 At the hearing, Ryan asserted “If it’s a case that I did not ask for injunctive relief in the
20 breach of contract, I think I should be entitled to amend it to conform to proof because the proof
21 is that I am entitled to it.” (Tr. at 48:21-24.) Ryan did not identify under what authority she
22 believes she is entitled to amend her complaint at this late date. The Case Management
23 Conference Order clearly states that the deadline for amending the pleadings in this case was
24 _____

25 ⁹ Although the *Childers* court examined a negligent misrepresentation claim, the holding is
26 applicable because both negligent misrepresentation and breach of contract require damages as
an element of the cause of action.

27 ¹⁰ While fees are undoubtedly important to Mr. DeLiberty, the availability of fees on other
28 causes of action is not relevant to whether summary judgment should be granted on the breach of
contract claim.

1 sixty days after the entry of that order, or February 6, 2007. (CMC Order, 12/6/06.)

2 It is possible that Ryan meant to refer to the provision of Rule 15(b) that allows
3 amendment of the pleadings: “When issues not raised by the pleadings are tried by express or
4 implied consent of the parties, they shall be treated in all respects as if they had been raised in
5 the pleadings.” Fed. R. Civ. P. 15(b). This provision, however, is inapplicable for a number of
6 reasons. First, no issues have been tried. Second, Defendants have objected.¹¹ Third, Ryan has
7 not specified any evidence to which the complaint could be conformed.

8 Moreover, Rule 15 and its liberal policy of allowing amendment, do not apply once the
9 court has entered a scheduling order. In order to modify the scheduling order, a party must show
10 “good cause for not having amended their complaints before the time specified in the scheduling
11 order expired.” *Coleman v. Quaker Oats Co.*, 232 F.3d 1271, 1294 (9th Cir. 2000); *citing*
12 *Johnson v. Mammoth Recreations, Inc.*, 975 F.2d 604, 610 (9th Cir. 1992). Ryan has not
13 demonstrated any good cause for failing to amend the complaint within the time provided in the
14 Case Management Order. Additionally, the prejudice to Defendants of amendment this close to
15 trial is obvious. Accordingly, for all of the above reasons, Plaintiff’s oral request to amend the
16 pleadings to conform to proof and state a claim for injunctive relief for breach of contract is
17 denied.

18 **C. No Evidence of Damages for Slander of Title**

19 California has adopted the definition of slander of title set forth in section 624 of the
20 Restatement of Torts, which provides:

21 One who, without a privilege to do so, publishes matter which is untrue and
22 disparaging to another's property in land, chattels or intangible things under such
23 circumstances as would lead a reasonable man to foresee that the conduct of a
24 third person as purchaser or lessee thereof might be determined thereby is liable
for pecuniary loss resulting to the other from the impairment of vendibility thus
caused.

25 *Howard v. Schaniel*, 113 Cal.App.3d 256, 263-64 (1980)(quoting Restatement of Torts). “The
26 gravamen of the tort is the damage to the salability of the property.” *Seeley v. Seymour*, 190

27 ¹¹Rule 15 also contains a provision covering objection at trial, but as this case has not yet
28 been tried, this provision is also inapplicable.

Cal.App.3d 844, 858 (1987); see also *Truck Ins. Exchange v. Bennett*, 53 Cal.App.4th 75, 84 (1997), review denied (Jun 18, 1997).

The pecuniary loss for slander of title is restricted to:

(a) the pecuniary loss that results directly and immediately from the effect of the conduct of third persons, including impairment of vendibility or value caused by disparagement, and

(b) the expense of measures reasonably necessary to counteract the publication, including litigation to remove the doubt cast upon vendibility or value by disparagement.

Appel v. Burman, 159 Cal.App.3d 1209, 1215 (1984), quoting Rest. 3d Torts § 633; see also *Davis v. Wood*, 61 Cal.App.2d 788, 797 (1943). In an action for disparagement of title the plaintiff may recover as damages the expense of legal proceedings necessary to remove a cloud on the plaintiff's title. *Wright v. Rogers*, 172 Cal.App.2d 349, 366 (1959). While attorney's fees are allowed for the fees incurred in clearing title, fees incurred in prosecuting a slander of title action are not. *Contra Costa County Title Co. v. Waloff*, 184 Cal.App.2d 59, 67 (1960) (Where party sought to quiet title and damages for slander of title in single suit, fees allowed only for portion of fees allocated to quieting title and not for portion of fees allocated to slander of title.)¹²

1. There is Evidence of Malice

Defendants argue that the slander of title claim must fail because Ryan must prove malice in order to establish a lack of privilege and there is no evidence of malice. Ryan, however, has produced sufficient evidence that Editions knew or should have known that its statements claiming the right to license her works for canvas treatments were false. See (Ryan Decl. ¶3). (Ryan Decl. ¶3). Accordingly, a reasonable jury could find that Editions knew or should have known that she would refuse to license canvas transfer and wall murals.

¹²The comment to the Restatement clarifies: "The rule stated in this Clause is primarily applicable to the disparagement of property in land, since in the majority of jurisdictions the person whose land is disparaged by matter of record may bring a bill in equity to remove the cloud cast upon his title by the disparaging publication. The rule, however, is applicable whenever similar relief may be obtained by an action to remove the cloud cast by the publication of disparaging matter upon the title to chattels or intangible things, or upon the quality of land or other things." Accordingly, as used in this Order, the phrase "to quiet title" refers to any action to remove the cloud cast by the disparaging matter. Although Ryan has never specified what actions she has taken that are analogous to quieting title, it appears that actions taken by Ryan to remove Editions' assertions of a right to authorize derivative works would qualify.

1 2. Evidence of Damages from Slander of Title

2 For all of the reasons detailed above, Ryan has not submitted evidence that creates a
3 genuine dispute over whether she suffered any damages from slander of title. Additionally,
4 slander of title requires evidence of direct pecuniary loss. A general decline in business is not
5 sufficient. *Mann v. Quality Old Time Service, Inc.*, 120 Cal.App.4th 90, 109 (2004) (in context
6 of trade libel). Thus, even if Ryan had evidence of her purported decline in business, it would
7 not be sufficient to survive summary judgment on the slander of title claim.

8 3. Attorney's Fees as Damages in Slander of Title

9 Ryan argues that her attorney's fees can be the damages required to show slander of title.
10 At the hearing, Ryan argued that "the cost of correcting the slander of title" is part of damages
11 for slander of title. (Tr. at 13:9-14.) Ryan is only partially correct: the law is that fees to quiet
12 title are part of damages, but fees to prosecute a slander of title action are not. *Contra Costa*
13 *County Title Co. v. Waloff*, 184 Cal.App.2d 59, 67 (1960); *see also Seeley v. Seymour*, 190
14 Cal.App.3d 844, 865-66 (1987) (fees "incurred merely in pursuit of damages" are not
15 recoverable.)¹³

16 Although there are few cases on point, the Court interprets California Law to allow fees
17 to quiet title to serve as the sole damages supporting a claim for slander of title. *See Arthur v.*
18 *Davis*, 126 Cal.App.3d 684, 691 (1982); *Rest. (2nd) Torts* § 633. As a matter of public policy,
19 however, this rule cannot be extended to other types of fees. Fees to quiet title are given special
20 status because the law presumes that it is necessary to clear a cloud on title, while it is optional
21 to seek damages. Thus, this rule preserves the "American Rule" that each side generally bears
22 the fees incurred in litigation. Accordingly, the question becomes whether Ryan has submitted

23
24 ¹³In her supplemental brief, Ryan argued that "legal fees are recoverable as damages in a
25 slander of title suit for the same reason they are recoverable in an action for malicious
26 prosecution." (Supp. Brief at 2.) Ryan fails to appreciate the distinction between fees to quiet
27 title and fees for damages for slander of title. In an action for malicious prosecution, fees
28 incurred in the original suit are recoverable, but fees incurred during the malicious prosecution
action are not. *See e.g. Citi-Wide Preferred Couriers, Inc. v. Golden Eagle Ins. Corp.*, 114
Cal.App.4th 906, 911-12 (2003) ("settled law permits him to recover the cost of defending the
prior action including reasonable attorney's fees"). Similarly, in an action for slander of title
fees incurred to quiet title are recoverable and fees incurred prosecuting the slander of title are
not.

1 sufficient evidence to create a material dispute of fact as to whether she has damages in the form
2 of fees reasonably expended to quiet title.

3 The Complaint alleges as the Slander of Title that Editions falsely represented that it had
4 the right or authority to produce or distribute wallpaper murals, canvas transfers or other
5 derivative works. (Complaint ¶ 86). The Complaint seeks as damages: “the expense of
6 litigation and other measures to remediate and mitigate the damages caused by the slander of
7 title.” (Complaint ¶ 89). As discussed above, damages in the form of attorneys’ fees are only
8 available for fees expended to quiet title. To the extent that Ryan seeks attorneys’ fees “to
9 remediate and mitigate the damages caused by slander of title,” such fees are not available.

10 This lawsuit was filed in August of 2006. The only evidence in the record of
11 representations made by Editions as to the right to authorize derivative works are the license to
12 ArtSelect to print giclees and the license to Environmental Graphics to produce wall murals.
13 The contract with Editions was cancelled in June of 2005 (Jakola Decl. ¶ 6, Exh. 5; Reeder
14 Decl. ¶ 5). The contract with Environmental Graphics was canceled no later than December of
15 2005. (Jakola Decl. ¶ 9.) Accordingly, there is no evidence of fees incurred in this litigation
16 for the purpose of anything analogous to quieting title.

17 Indeed, there is no evidence of any fees incurred by Ryan in any context. Notably
18 lacking in the record is any declaration from Mr. DeLiberty detailing any amount of fees
19 incurred by his client. Ryan does cite to her own declaration at paragraphs two through six to
20 support that she has incurred fees “to correct the results of Editions Limited’s promotion of
21 canvas transfers against her express wishes” (Opp. at 7.) First, only fees to quiet title, which in
22 this case would be to remove the claim by Editions that it had the right to license derivative
23 works of Ryan’s art, are recoverable. Thus, “fees to correct the results of the slander of title,” as
24 opposed to remove the cloud cast by the disparagement, are not recoverable. Second, the Ryan
25 declaration contains no mention of any fees incurred. Third, there is no evidence from which the
26 Court could find that any such fees were reasonably incurred. Thus, there is no evidence that
27 Ryan has incurred any fees for any purpose, no less reasonable fees for a purpose analogous to
28 quieting title.


1 **V. CONCLUSION**

2 For the foregoing reasons, IT IS HEREBY ORDERED that:

- 3 1. There was only one instance of copyright infringement and the damages
4 for the Copyright Infringement, if proven, are limited to \$1.72;
5 2. Summary Judgment is granted on the breach of contract claim;
6 3. Summary Judgment is granted on the slander of title claim;
7 4. No later than January 7, 2008, the parties shall contact Judge Seeborg's
8 chambers to set up a further settlement conference to take place no later
9 than January 31, 2008; and
10 5. The Pre-Trial Conference and Trial dates are VACATED and a status
11 conference shall be held at 2:00 pm on January 15, 2008 to reset the trial
12 date. The parties shall submit a Joint Case Management Conference
13 Statement no later than January 8, 2008.

14 IT IS SO ORDERED.

15 Dated: December 27, 2007



PATRICIA V. TRUMBULL
United States Magistrate Judge